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12. Trust as a matter of experiences? Findings from the ICT sector of East Germany and Poland

Henning Nuissl and Anna Schwarz

THE PROBLEM: POST-SOCIALIST TRANSFORMATION, ENTREPRENEURIAL CO-OPERATION AND TRUST

The recent transformation of former centrally planned economies has not only brought about an economic environment totally different from what firms and economic agents had been adapted to before, it has also meant that economic links and relationships have deteriorated, the creation of which usually requires several years. On the other hand, however, co-operative entrepreneurial relationships are essential to the economic success of transformation economies. This applies in particular to the regionally embedded SMEs, since they (can) build the fabric of regional economic networks so much hoped for. Hence, in post-socialist economies it is particularly important that both the surviving as well as the recently set up firms seek and find (new) partners. This especially holds for East Germany, where the economic environment has changed even more suddenly and radically than in any other post-socialist country, resulting in a constellation of 'torn networks' (Albach 1993).

It is a well-known fact that the building of co-operative entrepreneurial relationships first requires some degree of trust between the business partners – anybody who engages in such relationships must generally be aware of the possibility that a respective partner will not stick to previous agreements. There are of course remedies against opportunistic behaviour, mainly contracts. Also, partners can gather information on each other, which enables them better to anticipate the further actions of their counterparts, in other words to predict whether their counterparts will be trustworthy or not. However, no matter how much information one has gathered on a potential partner or what legal devices one has put up, in (economic) life it is generally impossible to definitely exclude the possibility of agreements and arrangements not being followed. Thus, although entrepreneurial co-operation is usually backed up by formal contracts, to a different degree there is always a

remnant of uncertainty that requires (non-substitutable) trust (for example, Arrow 1972).

Accordingly, trust between entrepreneurs who are in charge of SMEs has long since been discussed as a crucial resource for economic development (for example, Gambetta 1988). As the development of co-operative relationships is particularly important for post-socialist economies there is an increased need for entrepreneurial trust there. This, however, appears to become something of a problem, because there are certain impediments to the development of trust among entrepreneurs who act on behalf of SMEs in a post-socialist context.

The first kind of impediments to the development of trust concerns small firms in general (for example, Hilbert et al. 1991). Engaging in co-operative relationships bears considerable risks for them, because SMEs usually show

- increased vulnerability due to a lack of reserves that could be activated if partners did not comply with agreements
- a comparably low amount of information on the 'outside world', that is, on potential partners, provided within one's own firm and in connection to this
- a lack of access to such information (which increases transaction costs considerably).

All in all, as far as business co-operation is concerned, SME entrepreneurs are particularly compelled to rely on trust, since for them there is less of a possibility to substitute trust with anything else (either information or the power to set up rules) as a means to reduce uncertainty about the future action of others.

The context of post-socialist transformation further increases the problem for SMEs: scholars have continuously pointed out several peculiarities of post-socialist transformation that impede the emergence of trust severely – such as brutal competition because of an instability of markets, a situation of weak social and law control, political corruption or a general distrust in institutions, let alone a post-revolutionary anomie (cf. Sztompka 1999, pp. 174–5). With the advancement of institutional transformation the relevance of this argument is gradually diminishing. However, since transformation research has shown that the process of post-socialist transformation proves to be more difficult and intricate than was assumed in the beginning, it is still important. Accordingly, some effects of post-socialist transformation still seem to impede the development of trust in countries like Hungary, Poland and, especially, East Germany: local firms are often small, find themselves in a weak market position and are thus hardly able to enter existing networks in any promising position. Their 'struggle for survival in the market' absorbs much of the time and energy that would be necessary for the development of broader ideas or strategies regarding the future business (cf. Grabher 1997). Note that the (really or allegedly)

innovative segments of economy are no exception to this general diagnosis, whilst on the other hand they are particularly dependent on linking their own competences with external assets of technology and knowledge. Many scholars have claimed that the legacy of 'socialism as it existed in reality' still also proves to be detrimental to the proclivity of individuals for trusting behaviour for sociocultural reasons. They argue that both the state-managed neglect of elements of civil society and the necessity to organise informal networks of supply arising from an economy of scarcity have led to the emergence of kinship-like groups whose members make a strict difference between 'in-group' and 'out-group' people. The lasting orientation according to these dense networks is seen as a severe sociocultural impediment to the development of (new) co-operative relationships. This is a somewhat dramatic diagnosis, given the fact that the sudden transformation of the whole institutional system as well as the general development of the industrialised world, often characterised as an accelerating globalisation, do anything but encourage social cohesion. However, it is also possible to argue that the necessity of relying on informal networks in the everyday life of 'real socialism' as well as the legacy of an ideology of solidarity do, in fact, support the development of interpersonal trust (for example, Hradil 1995). Moreover, even the fragmentation of socialist societies into an anonymous, state-dominated public sphere on the one hand and a private sphere, which rests on familiarity, reliability and mutual commitment, on the other, could be interpreted as a resource for trust inasmuch as experiences made in the latter sphere may well enhance the ability to trust others, and under difficult circumstances. Indeed, scholarly observation has led to the discovery that co-operative relationships between East German enterprises often rest on the long-lasting and sometimes 'resurrected' acquaintance of their leaders (for example, Koch and Thomas 1997). However, it does not seem appropriate to therefore assume one can directly transfer this empirical evidence to cases of encounters between economic agents who have never met before.

In general we assume that the decisive precondition for any kind of co-operative development is the way in which individuals handle the uncertainty inherent in any kind of co-operation, how despite this insecurity they still develop a potential willingness to trust. Thus we are interested in the experiences and observations on this 'grey area of expectations' made by people in a transformation context as well as the respective potential for acting 'in good faith', which ensues from the specific ways of processing these experiences made in economy and society. More specifically we would like to discover whether entrepreneurs who act on behalf of potentially co-operating firms

- perceive the options and opportunities related to collaboration and co-operation

- overcome anxieties about fraud, deceit or generally opportunistic behaviour, which means that it is necessary to abstain from too precise an (normative) expectation regarding the behaviour of others (as such an expectation is very likely to lead to self-restriction),

since both these aspects are basic requirements for the development of co-operative economic relationships. In the following we would like to address these two problems by reporting central findings from two empirical studies on entrepreneurs in East Germany and Poland that were carried out in the information and communications technology (ICT) sector, thus taking the ICT branch as an example.¹ It is for three reasons that the ICT sector seems to be particularly suitable for an investigation into the problem of entrepreneurial trust in the context of post-socialist transformation: first, it was and still is regarded as one of the most promising segments of the economy in structurally weak regions; secondly, it is a young branch with mainly young entrepreneurs, which means that its key actors should be most likely to overcome impeding sociocultural legacies of the socialist past; and thirdly, in the ICT branch a joint business is hardly possible without an extensive exchange of knowledge, which in its turn makes the partners highly vulnerable so that trust becomes a matter of utmost importance.

Our main argument is that the development of trust among post-socialist entrepreneurs is not necessarily impeded. Nonetheless these entrepreneurs face distinct difficulties when setting about developing mutual trust in an economically weak regional context. We shall develop this argument in four steps. Before presenting our empirical results from East Germany (third section) and Poland (fourth section) we shall render a more precise account of what we actually mean by the notion of trust and how we have tried to get an empirical grip on trust (second section). Finally, the reported findings will be discussed in terms of what conclusions can be drawn regarding the likelihood of post-socialist ICT entrepreneurs engaging in business co-operation (fifth section).

INTERPERSONAL TRUST AMONG ENTREPRENEURS AS A PHENOMENON BASED ON EXPERIENTIAL KNOWLEDGE

In everyday language the term 'trust' covers a plethora of meanings and is closely related to terms such as hope, confidence or faith (for example, Wilson 2002). But also in the academic literature on trust its definition is (still) far from being undisputed. Generally, however, it could be seen as a kind of expectation nourished in a state of uncertainty with respect to a future event

(cf. Misztal 1996).² Since here trust is discussed as a precondition for entrepreneurial co-operation, our interest is focused on trust as an individual entrepreneur's – optimistic – expectation regarding the future behaviour or action of a potential partner. Also institutional trust – particularly the expectation that the institutions guaranteeing the functioning of the market will work properly – is a precondition for entrepreneurial co-operation, of course. This more general kind of trust, however, could be seen as a condition for the emergence of interpersonal trust; it thus does not pertain to what is to be explained in this chapter (the dependent variable) but must be regarded as a source of explanation for the phenomenon under scrutiny (an independent variable).

If (at all) studied empirically, the form of expectation called trust is conceptualised in different ways. Two approaches to the phenomenon of interpersonal trust are predominant, neither of which seems satisfactory with respect to the 'empirical' problem of the creation of trust: 'Trust is often regarded as a generalized personality trait or as a situational variable, whereas it is hardly ever seen as a relationship variable' (Petermann et al. 1992, p. 210). Seen from a sociological point of view, however, it seems to be indispensable to handle trust as a genuinely social phenomenon. Trust will not simply be the result either of an agent's individual psychology, for instance a general disposition to trust others (regardless of who these others are and how they behave towards the respective agent), or an isolated decision deduced from the parameters of a specific situation (but unconnected to the decision-maker's circumstances of action in general and his or her personal experiences in particular). Instead, trust pertains to social relationships from which it cannot be detached – an argument that Granovetter (1985) put forward in his famous seminal work on new economic sociology in order to illustrate the shortcomings of both traditional economic and sociological approaches to economic action. This argument implies that trust evolves by means of mutual interaction (cf. Sabel 1993).

Given that trust is necessarily a result of human interaction, the knowledge of individuals interacting potentially in a trust-bearing or trust-maintaining manner can be regarded as the most basic factor in relation to this interaction. First, it is their knowledge that enables individuals to interpret the verbal or non-verbal signals of others. Secondly, and equally important, the knowledge of individuals does not only have a direct impact on the development of trust but also mediates the impact of 'structural' conditions: undoubtedly, the context of action is always highly relevant to the emergence of interpersonal trust but this is assumed to be so, not because it directly determines the occurrence of trust, but because its (more or less idiosyncratic) perception by those who are to develop trust has a decisive influence on the objectives, attitudes and assumptions with which these agents engage in the active creation of trust by 'a mutual process of self-disclosure' (Giddens 1990, p. 121).

If trust is regarded as a result of knowledge-based interaction, the former experiences of potentially trusting individuals as a main source of individual knowledge is of extreme importance to the actual emergence of trust (cf. Höhmann and Malieva 2002). The knowledge of individuals is probably more based on experience than on mere observation made from a neutral perspective. Also, individual knowledge is more likely to have an impact on a person's action if stemming from experience. Thus an entrepreneur's perception of options and opportunities related to collaboration and co-operation as well as his or her inclination to overcome any fear of fraud, deceit or generally opportunistic behaviour is largely dependent on his or her experiences with business in general and former partners in particular. Hence the presentation of empirical findings will focus on these two kinds of individual experiences as main determinants of the 'trust potentials' inherent in a particular societal context. Thus we do not simply limit 'knowledge' to information that could be separated from the individual or exchanged at will but, rather, we relate knowledge to its interactive and interpretative genesis. In other words, we do not equate knowledge with the specific information individual agents have about the further action of others; instead, we seek knowledge patterns that help entrepreneurs to understand the world (of economic action) they are living in and to which they have to adapt their own behaviour. In this we specifically focus on experiential knowledge. This means, of course, that we cannot tell what the reality in which economic action takes place is 'really' like. Thus our approach to the 'trust issue' follows the classical finding of sociology, stating that the perception of reality becomes real in social interaction (cf. Thomas 1981).³

FINDINGS FROM EAST GERMANY

The Empirical Design

The findings presented below draw on 27 extensive but only weakly structured interviews with ICT entrepreneurs in Brandenburg (the German *Land* surrounding Berlin) and the eastern part of Berlin. These have been selected for detailed interpretation from a larger sample of around 50 interviews. The interviews were carried out between 1997 and 2000, recorded and transcribed.⁴ The interpretation of interviews relied on the method of qualitative content analysis (supported by the QDA programme WinMAX) proposed by Mayring (1997), and it aimed at a structured compilation of statements. Eventually it led to a set of more than 500 keywords that reflect the main features of the interviewees' experiential knowledge concerning – among other things – options and opportunities as well as previous experiences with

entrepreneurial co-operation. Furthermore, the particular combination of keywords assigned to each interview forms a distinctive profile for each particular 'case' (that is, interviewee) that can be compared to the profiles of other 'cases'. In the following, information will be given on the frequency with which certain aspects were mentioned throughout the whole sample, because this hints at the importance of different aspects – or, to be precise, at the extent to which certain aspects from the interviewees' point of view seem to be worth mentioning. However, the citation of frequencies must not be misunderstood as an attempt to change the status of the method: a quantification of non-quantifiable data is by no means intended.

Experiences of East German Entrepreneurs Concerning the Scope for Economic Action

Almost all interviewees experience their position on the ICT market as weak, thus confirming the oft-quoted difficulties of enterprise in a context of post-socialist transformation. This concerns six problems in particular:

- The majority of interviewees hint at difficulties in raising money. Banks obviously are rather restrictive in terms of loans for SMEs, especially if SMEs are undercapitalised as is often the case with start-ups in East Germany.
- Some interviewees argue that they suffer not only from their own shortage of capital but also from the fact that their (almost solely East German) customers usually do not have any larger financial resources at their disposal either.
- Most interviewees see a predominance of 'exogenous' actors (for example, Siemens, Alcatel, Deutsche Telekom) on the ICT market, whom they could hardly compete with, especially when it comes to lucrative orders.
- Several interviewees mention a stigmatisation of firms from East Germany, which they perceived as a serious restraint to their chances of canvassing for customers.
- Many interviewees find the search for partners a particularly difficult task, because in terms of profile they are often very similar to other ICT firms in the respective region. This seems to be mainly due to the impossibility of specialising in (software) development and production without the necessary capital.
- Another study has revealed that the entrepreneurs' negative assessment of the governmental SME policy, including the performance of the regional institutions for the support of local firms, also contributes to their perception of a precarious market position (cf. Blaneck 2003).⁵

The weak market position of East German ICT entrepreneurs is also reflected in the heterogeneous profile of the firms represented in the sample. The vast majority of interviewees, in other words their firms at large, were not able to concentrate on a core activity, since soon after 1989 'western' companies occupied the most lucrative segments of the market. So the 'newcomers from the East' have had to fill in the remaining niches, which usually means that they have to provide full ICT supply for local demands.

Experiences of East German Entrepreneurs Concerning Entrepreneurial Co-operation

All entrepreneurs of the sample have gained some experience with co-operative relationships in the past. However, negative experiences with former partners are significantly stated more often than positive ones, and complaints about other entrepreneurs behaving in an opportunist and selfish fashion can frequently be found. This seems to be peculiar to the field under investigation, because under 'normal', that is, non-post-socialist, conditions it would be common sense to expect an egoistic approach to interactions in the market sphere. In some of the cases examined East German entrepreneurs justified the negative conclusions they had drawn from experiences of co-operation with the argument that their former partners, in their opinion, had not demonstrated enough public spirit and had not been sufficiently concerned with the welfare of their home region. Hence, they demand a normative understanding of co-operation as a condition for working together in business, which effectively prevents them from gathering positive experiences through co-operation.

Even though these findings on co-operative experiences might be slightly biased, because people tend to talk about the disappointment of expectations rather than the 'normal' situations in which expectations were met, we can infer that a kind of 'collective (over-)awareness' of the risks of co-operation exists, which is anything but conducive to the emergence of a culture of trust and co-operation. However, not all the interviewees' experiences with external partners are negative, and even fewer are entirely deterrent. Instead, the general bias against co-operative experiences reported by the interviewees in only 13 cases reflects a 'general disappointment', whereas in the remaining 14 cases these experiences are mixed and 'by and large not negative'. So the interviewees could be assigned to two different groups with regard to their *former* co-operative experience. The same can be applied to the interviewees' *current* co-operative engagement: although all interviewees mention at least one existing inter-firm relationship that comprises elements of mutual support, the character of these relationships is very different. For instance, the co-operative commitment of some interviewees is limited to them participating in

the discussion circles of regional entrepreneurs, whereas others co-ordinate almost all entrepreneurial activities with their partners in order to prepare for a future fusion of the respective firms. Thus it seems to be reasonable to distinguish between 'strong co-operators', who get involved in a form of co-operation that bears considerable risk (of broken promises), and 'weak co-operators', who only go into loose co-operative relationships.

A classification of interviewees according to the two criteria now introduced shows that the first, the quality of former co-operative experience, seems only to have a minor influence on the latter, the actual co-operative involvement (Table 12.1): as one would expect, the number of 'strong co-operators' among those entrepreneurs with more positive co-operative experiences is clearly higher than among those with almost only negative co-operative experiences, but also several 'strong co-operators' have been more or less entirely disappointed in their experience of co-operation before.⁶

Although, of course, these 'qualitative statistics' do not meet any scientific criterion of significance, they hint at the impossibility of deriving an individual entrepreneur's propensity to develop trusting relationships primarily from the respective entrepreneur's experience (whether it concerns the general circumstances of entrepreneurship or a personal involvement in co-operative relationships). Moreover, regardless of their co-operative experience, almost all interviewees claim that they would be happy to further extend their co-operative links to other firms.

When the attention is turned to the purposes of co-operation, it becomes obvious that the perception of a difficult economic environment prevents entrepreneurs from recognising the opportunities arising from strategic co-operation. Instead, the majority of interviewees pursue a strategy of both neglecting innovative ambitions and focusing on (mostly local) market niches. Accordingly, these entrepreneurs see co-operation mainly as a means of defending their own market position against bigger companies that are

Table 12.1 Four types of entrepreneurs (in the sample) differentiated according to co-operative experience and co-operative involvement (absolute numbers)

Quality of co-operative experience	Co-operative involvement	
	Strong co-operators	Weak co-operators
Not entirely negative	8	5
Negative	5	9

Source: Own empirical study (cf. Nuissl et al. 2002, ch. 4).

regarded and dreaded as competition. Only a minority of interviewees state that their further aim of co-operation is an expansion of business. Hence, we can infer that the weak position of market power that East German entrepreneurs consider themselves to be in shapes the general interest they have in each other and, therefore, reduces their inclination to get involved in potentially trust-bearing interaction.

FINDINGS FROM WEST POLAND

The Empirical Design

In conjunction with the study on the problem of co-operation and trust in the East German ICT branch, Anna Schwarz and Marta Kowalczyk (Europe-University Viadrina) carried out an email survey among ICT entrepreneurs in West Poland (Vojvodships of Wielkopolskie, Lubuskie, Dolnośląskie, Zachodnio-Pomorskie)⁷ (cf. Kowalczyk 2001; Nuissl et al. 2002, ch. 7). A questionnaire was emailed to 700 firms, 111 of which responded (16 per cent), which is a fairly good relation, given that there was no personal contact and that in post-socialist Poland there is still a widespread reluctance to participate in any kind of enquiry. Concerning the geographical distribution of firms this sample is fairly representative (Table 12.2). Its representativeness concerning other variables could not be checked, however, and probably it tends towards a form of 'positive distortion', since those firms that are open to international contacts are much more likely to answer an email questionnaire from Germany than are others.

Table 12.2 Regional distribution of ICT entrepreneurs/firms in West Poland in 2001

Vojvodship	Number of ICT entrepreneurs/ firms		Number of ICT entrepreneurs/ firms in the sample	
		%		%
Wielkopolskie	2946	36.0	38	34.2
Lubuskie	615	7.5	15	13.5
Dolnośląskie	3044	37.2	35	31.5
Zachodnio-Pomorskie	1579	19.3	23	20.7
Total	8184	100.0	111	100.0

Source: GUS (Główny Urząd Statystyczny), calculation by Marta Kowalczyk.

The responses to the questionnaire have mainly been analysed in terms of frequencies. This has yielded some interesting data that could be compared with the results from the 'qualitative' study in East Germany, notwithstanding both the aforementioned 'positive distortion' and the fact that the methods employed are, of course, rather different.

How Polish Entrepreneurs Perceive their Scope for Economic Action

Not only is the structure of the sample of Polish entrepreneurs and enterprises similar to the German study (mainly small enterprises, unspecific profile/little specialisation), but also the Polish entrepreneurs' experience of their economic environment resembles very much that of their East German 'colleagues'. In particular they complain about the following drawbacks:⁸

- a lack of financial resources
- a lack of a (continuous) demand for products
- an increasing dominance of global players in the market (for example, HP, IBM Polska, Microsoft, Oracle Polska)
- an inflexible and inefficient regional policy for economic support.⁹

In addition, the Polish entrepreneurs mention further problems that obviously are non-existent in the privileged East German case of transformation, that is, intricate and sometimes inconsistent laws.

Despite these difficulties, a fairly impressive number of ICT SMEs have established themselves, proving that there has been a highly dynamic development in this segment of the economy. Between 1996 and 1999 alone the growth rate in this segment has almost doubled (*Teleinfo 500* 2000, p. 56). The ICT branch, which continues to grow rapidly in Poland, mainly profits from the increasing importance of the service sector within the Polish system of employment. As much as 25 per cent of the buyers of ITC products belong to the service sector, and another 30 per cent come from the sector of finance, whereas only 18 per cent work in the field of industry (cf. Bielewicz 2003).

Almost a third of all enterprises surveyed intend to invest in co-operation and networking. This proves that, in general, Polish ICT entrepreneurs pay more attention to the opportunities rendered by co-operation than do their East German 'colleagues', and they regard investment in these issues as highly relevant for economic success (cf. *Teleinfo 500* 2000, p. 80). The fact that Polish entrepreneurs stress the importance of co-operation and networking so decidedly is probably due to the fact that their prolific personal networks from socialist times have not been eroded to the same extent as in East Germany, since the restructuring of the economy was, of necessity, based on the structures that already existed: 'When asked about the secret of their business

successes, top Polish entrepreneurs almost unanimously indicated the rich personal networks, even before actual capital assets' (Sztompka 1999, p. 189).¹⁰ This continuity of economic relationships presumably concerns even the many young entrepreneurs in the sample in that it shapes economic culture as a whole.

Experiences of Polish Entrepreneurs Concerning Entrepreneurial Co-operation

There also seems to exist a marked difference between the Polish and the East German ICT business as far as co-operative experiences are concerned. Table 12.3 gives an overview of the experiences the Polish ICT entrepreneurs in the sample made with co-operation. As can be seen, they mention positive co-operative experiences more often than negative ones. This is especially true of those who get involved in co-operation to a comparatively large degree. On the other hand, research-oriented firms hint at a comparatively bad record of co-operative experiences.

Even more interesting than the Polish entrepreneurs' general inclination to engage in co-operation is, in particular, their search for co-operation with international partners, mainly from the 'West', whilst they frequently claim that they fear the competition of domestic competitors. Despite the fact that firms with an international orientation are probably overrepresented in the sample, it is still quite amazing that the entrepreneurs taking part in the survey, all in all, intend roughly to double their amount of international co-operation.

Table 12.3 Share of Polish ICT entrepreneurs (in the sample) with positive or negative co-operative experiences (percentage)

Positive experience	%	Negative experience	%
Transfer of know-how	84	Taking advantage of information	34
Complementarity of profiles	48	Dishonesty concerning strengths and weaknesses	30
Joint acquisition of orders	46	Breaching of agreements	26
Joint canvassing	44	Luring away of customers	18
Preliminary work (as investment in future co-operation)	42	Luring away of employees	16
Development of new product	38	Making use of reputation	10
Benefit from reputation	34		
Education of employees	32		
Honesty concerning strengths and weaknesses	17		
Successful subcontracting	3		

Source: Survey by Kowalczyk (2001) (cf. Nuissl et al. 2002, ch. 7).

Almost 50 per cent of them want to increase their presence on the German market by working together with German firms. Note, however, that it is definitely not the East German border region that attracts major interest. The international aspirations of the Polish ICT businesses correspond to the optimistic attitude regarding Poland's EU accession that is prevalent among Polish entrepreneurs (79 per cent according to Rzewuski 2003b). This should even apply to a larger degree to the ICT branch, since the adaptation of Polish administrative structures to EU standards is expected to render a large market for their products and services. However, this is still likely to offer only a limited degree of opportunities to the small, domestic IT firms of Poland.¹¹

As far as the actual reality of co-operation and collaboration is concerned, however, a somewhat different picture emerges. Whereas foreign firms are the co-operators most sought after, actual co-operation almost exclusively takes place with domestic partners. Co-operation with partners from abroad is much rarer – only about a quarter of all firms contained in the sample are actually involved in some kind of cross-border co-operation. Thus one can state that there is a gap between the, mainly domestic, 'realities' of co-operation and the co-operative aspirations of Polish ICT entrepreneurs that are strongly focused on the international sphere. However, this is still in stark contrast to the results from East Germany where Poland apparently is hardly perceived as a source of potential partners at all. Corresponding to this finding, Polish entrepreneurs also demonstrate a much more offensive general attitude towards the idea of co-operation. The Polish interviewees' answers to the question on the tasks of entrepreneurial co-operation reveal a firm will to utilise such business relationships primarily in order to expand one's own business – for instance, by conquering new markets or increasing one's know-how.

CONCLUSIONS

Concerning the question of how entrepreneurs perceive the options and opportunities related to collaboration and co-operation (which are tantamount to their motives for the creation of trust) the results are hardly ambiguous. Post-socialist entrepreneurs in the SME sector face several distinct difficulties. Moreover, there seems to be a lack of attractive business partners in the region not only from the point of view of the interviewed entrepreneurs, but also as an 'objective' fact. The perception of these problems clearly prevents entrepreneurs from trying to develop co-operative, and hence trusting, relationships. However, the findings from Poland show that co-operation can also appear desirable under difficult circumstances. Thus the question arises whether it is possible to explain the differences in the willingness of Polish and German ICT entrepreneurs to develop trusting relationships through the

different conditions prevalent in these two cases of post-socialist transformation. It will therefore be helpful to render more precisely the context of the conditions for economic action, especially for domestic SMEs.

First, the business conditions for East German and Polish entrepreneurship do partially differ from each other. Although most of the economic difficulties mentioned in detail earlier on apply to the East German and Polish case to an equal degree, their contexts represent two opposing economic developments. In Poland a continuous and noticeable drop in the inflation rate (from about 60 per cent to below 10 per cent) was noted between 1991 and 2002, whereas the German inflation rate with only a minor variation at a low level was taken much less notice of by the people. Poland even experienced a drop in the unemployment rate (from 17 per cent to below 10 per cent) between 1994 and 1998, and only since then has unemployment increased again (up to about 19 per cent), in comparison to which the rate of unemployment in Brandenburg rose relatively steadily (from 10 per cent to more than 18 per cent) without any sign of a change in tendency. The greatest difference can be observed in the development of gross domestic product: since 1992 Poland has achieved annual growth rates of between 3 and 8 per cent, which already from the year 1995 onward surpassed the growth rate of Brandenburg, which in its turn has sunk steadily from over 25 per cent in 1992 to below 2 per cent. In short, a noticeable upward trend in the overall economic development of Poland (with the exception of unemployment, which could, however, be interpreted by Polish entrepreneurs as rendering the advantage of cheap and available workers) currently stands directly opposed to a conspicuous and lasting downward trend in Brandenburg (cf. Blaneck 2003).¹² Also, in terms of available human capital, Brandenburg is clearly at a disadvantage in comparison to the structurally weak West Polish Vojvodships. Whereas in the former merely 0.53 persons per 1000 inhabitants were occupied in research and development in 2001, the number was two or three times as much, between 0.98 and 1.50 persons per 1000 inhabitants, in the latter (cf. Rosenfeld 2001). Thus, in comparison, the situation in Poland seems more favourable for the opportunity of utilising the potential of innovative entrepreneurs as well as the effects of networking between businesses and research institutions. Business transactions, the willingness to take risks and, when getting involved in a new co-operation, the attempt to open up new market sections can hardly not be influenced by the consideration of such differing circumstances, which, after all, also determine the potential spending power of customers and the chance for new competitors to establish themselves in the market.

The second point is the considerable difference in expectations between East German and Polish entrepreneurs at the borderline between West and East Europe regarding their future scope for action. Thus, what people expect of Poland's EU accession differs very much according to what side of the river

Oder (forming the border) they live on: the population of the East Brandenburg border region (in summer 2003) mainly expects disadvantages to ensue from the directly imminent EU enlargement, especially a loss of job opportunities (67 per cent) as well as the ruin of workshops (59 per cent) (cf. Schwarz and Jacobs 2004, p. 265). The people living in the West Polish region, on the other hand, regard the near future in quite a different light: many hope to gain clear advantages from their country's accession to the EU (47 per cent), increased welfare (44 per cent), a rise in the standard of living (46 per cent) and a revival of the spirit of enterprise (70 per cent) (although as many as 21 per cent also fear a rise in unemployment) (cf. CBOS 2003). The willingness to see the EU enlargement in the light of a new opportunity is also much more prevalent in Poland than in East Germany. This, too, is reflected in the popularity of new models for economic liberalism towards which young Polish people are more and more inclined, quite according to the American model. Accordingly, the Polish commentator Adam Krzeminski discovers 'a spreading of the model of the young, flexible social climber who gets somewhere by virtue of astuteness, hard elbows, experience of the world and permanent further training' (Krzeminski 2001, p. 687, translated from German). Similarly, other observers have also attributed increasingly (especially) to the (young) Polish such habitual characteristics as flexibility, the capacity to improvise and individualism (Juchler 2003).

A more extended study of the context of economic history and in terms of socialisation theory could demonstrate in more detail the fact that certain niches of free-market organisation had already been exploited in Poland under state socialism, that free-market competition was already perceived to be normal, as also rendering new opportunities for oneself (whereas many East Germans feared competition as a threat to their own existence and attempted to avoid it), that socialist ideology and state values fell on much less fertile ground in Poland than in East Germany and, finally, that the destruction of personal networks was much less abrupt and complete in the economic life of Poland than in that of East Germany (where the breaking up and dissolution of enterprises and business co-operations through the *Treuhand* during the process of privatisation had their own part to play). All these factors together render plausible the fact that conditions in Poland are altogether more favourable for the realisation of new opportunities for action and co-operation. The lesser tendency of East German entrepreneurs to trust can then be explained by the combination of expectations regarding the general economic development with existent subjective patterns of assimilation.

Consequently, this sketchy attempt of ours to examine empirically the problem of trust (working with knowledge relevant in connection to trust and produced in as well as affecting processes of interaction and interpretation) basically takes us one analytical step (or more) back to the question of patterns

of perception and interpretation according to which people, such as entrepreneurs, recognise, interpret and explain their actions and conditions for acting, and condense these into knowledge, thus making it the starting point of a potential rendering of trust. In the spirit of Anthony Giddens, such cognitive patterns (or ways of processing experiences and objective conditions) could be utilised analytically and empirically as the key to understanding the mutual creation of relationships of trust and co-operation under insecure conditions. In short, the title of a future comparative study on the phenomenon of entrepreneurial trust could be this: 'Trust as a matter of interpretation (of experiences)'.

NOTES

1. The ICT sector refers to businesses predominantly concerned with information technology and telecommunication, ICT hardware and ICT systems, software, information technology (IT) services and telecommunication services. This follows the definition of the leading German and European trade association in this field (cf. BITKOM 2004).
2. If a more precise definition of trust is needed, it should be useful to resort to the basic commonalities of all the different concepts of trust the academic discourse has put forth, producing 'a good deal of conceptual confusion regarding the meaning of trust and its place in social life' (Lewis and Weigert 1985, p. 975). This leads to a definition of trust as an expectation of (a) the (non-) occurrence of a certain event, held by a particular agent, who (b) regards the respective event as meaningful and therefore adapts his or her own action to his or her (trusting) expectation, who (c) has (at best) limited knowledge about the probability of the respective event, who (d) has no control over the respective event and who (e) will be directly affected by the occurrence or non-occurrence of the respective event in so far as he or she could either gain or loose depending on whether it occurs (or not). Beyond this general definition various specifications – regarding the sources, the nature and the (social, psychological, economic) function of trusting expectations – could be made (cf. Nussli 2002).
3. An approach to the phenomenon of trust that starts off from the knowledge of potentially trusting agents is highly compatible with the way trust is usually dealt with in the economic literature (for example, Ripperger 1998). However, there are at least two important differences: apart from our broader notion of knowledge we distinguish between trust (understood as a form of individual expectation) and actual trusting behaviour (cf. Kee and Knox 1970).
4. The firms represented in the sample were founded between 1990 and 1995, have between one and more than 50 employees and their core competence is without exception varied to a larger or smaller degree. The spectrum ranges from pure trade with computer hardware to advanced forms of software production and includes diverse activities, such as the installing and administration of computer networks, training on computer software or ICT consulting. This predominance of rather small and not highly specialised enterprises is typical for the East German ICT branch (cf. Schwarz 2000).
5. The following quotation by a successful ICT businessman from the *Land Brandenburg* illustrates well how dissatisfied many East German entrepreneurs are with the work of the institutions for the support of the regional economy: 'Let me tell you, no institutions for economic support will be of any help ... quite the reverse. They swallow the little bit of money that is offered by the state. They use it up themselves ... if financial resources for technology have been made available by the EU for a *Bundesland* ... their own administration requires 35 per cent of the money for itself ... they create projects to ensure their continued existence, and mostly there isn't much left for others. ... Go and find out for yourselves, when events take place, there are bound ... to be less than 20 per cent that are

entrepreneurs there . . . that's the clearest indication that it's just a complete form of self-employment' (translated from the German, in Blaneck 2003, p. 85 f.).

6. Some of the interviewees who look back on more or less entirely bad co-operative experiences belong clearly to the most successful entrepreneurs of the sample. In a couple of cases this is due to the fact that 'disappointed' entrepreneurs extended their activities successfully to markets abroad (in particular to the USA). Hence, no correlation between the 'quality of former co-operative experience' and entrepreneurial success could be found. Instead, there is a connection between the date of the foundation of firms and their success. The earlier a firm was established (after 1989) the better were its prospects for the future. One explanation for this observation is in accordance with market theory: the first firms to be founded were the first to stake claims to the evolving markets of Germany's 'New' *Länder*. A second explanation is more specific: there is some evidence that in the course of the introduction of a market economy the most dynamic and energetic persons (that is, the most 'gifted' entrepreneurs) were also the first to endeavour to risk becoming entrepreneurs.
7. As far as the presence of ICT enterprises is concerned, these four West Polish Vojvodships belong to the more weakly developed and marginal regions of Poland. Over 54 per cent of the largest and most profitable Polish IT firms (such as ComputerLand) are based in Mazowiecki, the region surrounding the capital. The largest Polish IT firm at present, ProKom AG, employing over 1420 people, however, is based in Gdansk (cf. 'Top 200' 2003).
8. A survey of Polish SMEs that was carried out by the state in the year 2001 revealed the following order of the most important 'barriers to the development of SMEs in Poland' from the point of view of entrepreneurs: 91 per cent mentioned the problem of high taxation; insufficient demand was given as a reason by 77 per cent; complicated legal regulations by 76 per cent; difficulties in obtaining credit by 73 per cent; and the state's disadvantageous SME policy by 69 per cent of those questioned (Polytika 2001, quoted in Kowalczyk 2001, p. 25). Correspondingly a third of all Polish entrepreneurs in a nationwide survey have recently complained about the national economic policy being bad or very bad (Polska Fundacja Promocji i Rozwoju Małych i Średnich Przedsiębiorstw 2000, p. 239).
9. It was only the reorganisation of the local government in 1999 that enabled the establishment of institutions for regional economic support in Poland in the first place. These, however, are highly criticised not only because they are still too unknown (just as in Brandenburg) but also because they reproduce ('well-trying') centralist mechanisms of distribution (mainly of EU funds) all over again and, in particular, hardly consider IT firms at all.
10. The significance of more long-term relationships also in modern business transactions is exemplified in a positive as well as negative way by the following quote taken from an interview with a West Polish IT entrepreneur: 'Well . . . my range of activity is limited to a radius of 100 kilometres, and my experience, my age, one then more or less knows the people, those I can trust, well let's say, those I can trust 80 per cent, and those I can trust 10 per cent. If I have any doubts, then I prefer not to get involved in a deal like that' (translated from the Polish, in Blaneck 2003, p. 62).
11. Polish IT firms that are well established expressly welcome the revival of competition through EU membership and emphasise the fact that competition represents a positive factor. This is exemplified in the following statement given by Pawel Przewiezlikowski, deputy chairman of the supervisory board of ComArch: 'With the enlargement of the EU the barriers to trade and mentality that have limited us so far will disappear. It will become easier to compete in the joint market. We are not afraid of the new competitors, because they already exist in the domestic market, and so far ComArch and the firm have coped well with it' (cf. Rzewuski 2003a).
12. Note accordingly, results gained from the study of social movements demonstrate that it is not the absolute level of the (possibly precarious) societal situation that plays a part in aggravating conflicts both social and political but, rather, the effect of relative deprivation, that is, the perception of living conditions tending to decline (altogether or within one's own section of the population as compared to others). In this respect the entire initial economic position of Brandenburg may indeed be clearly assessed to be more positive according to objective criteria than that of (West) Poland; what, however, comes to the fore, influencing people's

perception and action, is the impression of relative deprivation prevalent in Brandenburg, now also in view of the increasing affluence of its Polish neighbours, which has become visible in daily life. Polish customers, for example, are responsible for 40 per cent of profits made in retail trade in the border town Frankfurt (Oder), mainly in the high price range. The familiar German stereotype, therefore, of being juxtaposed to an economically and socially inferior Eastern neighbour begins to waver and explains a quite new sense of aloofness regarding the neighbouring country that is now being taken more and more seriously as a rival.

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